

**Background & Budget Information Related to Budget Deviation & Grant Expenditure Consultations by  
the Department of Insurance Due to a Federal Health Benefits Exchange Level One Grant Award**

**Prepared for the Joint Legislative Commission on Governmental Operations**

Fiscal Research Division

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**Description of Health Benefit Exchange**

**Source: N.C. Institute of Medicine**

The Affordable Care Act (ACA) includes provisions to create a health benefit exchange (HBE). The HBE will help individuals and small businesses purchase coverage by providing standardized information to help consumers compare plans. In addition, some people will be eligible for subsidies to help them purchase health insurance coverage. Individuals will be able to apply for health insurance coverage online. Those who qualify for public coverage (ie, Medicaid or NC Health Choice) will be enrolled into the public insurance programs; and those who qualify for a subsidy will receive help paying for private coverage offered through the HBE.

**History & Key Dates Regarding the Health Benefits Exchange**

**Activity in North Carolina:**

**Jul. 2010:** The General Assembly, through S.L. 2010-31, Section 24.2, directs the Department of Insurance to "Administer and enforce the provisions of the federal Patient Protection and Affordable Care Act (Public Law 111-148) and the provisions of the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152) to the extent that the provisions apply to persons subject to the Commissioner's jurisdiction and to the extent that the provisions are not under the exclusive jurisdiction of any federal agency."

The Department is directed to apply for federal funds to support 13 positions (listed in the legislation) for this purpose. A reserve is established in the event that the Department is unable to obtain federal funds.

**Aug. 2010:** At the request of the Departments of Health & Human Services (DHHS) and Insurance (DOI), the N.C. Institute of Medicine begins convening workgroups on health care reform, including a Health Benefits Exchange and Insurance Oversight workgroup. An overall advisory group is chaired by the Secretary of DHHS and Commissioner of Insurance.

**Aug. – Oct.**

**2010:** The Department of Insurance receives three federal health care reform-related grants:

- \$1,000,000 Health Insurance Premium Review Grant (extended through Dec. 2011)
- \$ 999,999 Exchange Planning Grant (extended through Sep. 2012)
- \$1,056,928 Consumer Assistance Program Grant (extended through Oct. 2012)

These grants have funded 19 positions, contractual services, and other items. As of September 30, 2011, \$1.4 million had not yet been spent. The federal government has permitted the Department to continue to spend funds beyond the original grant period.

**May 2011:** HB 115, North Carolina Health Benefit Exchange, passes the State House. The proposed legislation would establish a Health Benefit Exchange.

**Jun. 2011:** S.L. 2011-391, Budget Technical Corrections Act, Section 23.3, states the intent of the General Assembly to establish and operate a State-based health benefits Exchange that meets the federal requirements, and:

"The Department of Insurance (DOI) and the Department of Health and Human Services (DHHS) may collaborate and plan in furtherance of the requirements of the ACA. DOI may contract with experts, using available funds or grants, necessary to facilitate preparation for an Information Technology system capable of performing requirements of the ACA. The Commissioner of Insurance may also study the insurance-related provisions of the ACA and any other matters it deems necessary to successful compliance with the provisions of the ACA and related regulations. If the Commissioner of Insurance conducts such a study, the Commissioner shall submit a report to the 2012 Regular Session of the 2011 General Assembly containing recommendations resulting from the study."

**Jul. 2011:** Milliman, Inc., under contract with DOI, issues a final report on its study of a N.C. Health Benefits Exchange. The report contains estimates of where people will move in the marketplace, how much the Exchange will cost to run, the State's options for setting up the Exchange, staffing levels, and other discussion of issues.

**Sep. 2011:** DOI is awarded a Level One Exchange grant of \$12,396,019. Level One grants provide up to one year of funding to states that have made some progress under their Exchange planning grant.

#### **Upcoming Deadlines:**

**June 30, 2012:** Last day to apply for a Level Two Exchange Establishment federal grant. Application requires that there be legal authority to establish and operate an Exchange, with specific plan elements in place. North Carolina must have enacted legislation establishing an Exchange by this date in order to receive further federal funding.

**Jan. 1, 2013:** Date by which federal law requires that North Carolina receive certification from the federal Department of Health & Human Services that it is making adequate progress toward establishing an Exchange compliant with Section 1321 of the Affordable Care Act, or the federal government will establish the Exchange.

**Oct. 1, 2013:** The Department of Insurance and the N.C. Institute of Medicine estimate that this is the latest date by which the Exchange needs to be fully implemented in order to meet the next deadline on January 1, 2014.

**Jan. 1, 2014:** Insurance coverage by plans purchased under the Exchange must begin by this date at the latest.

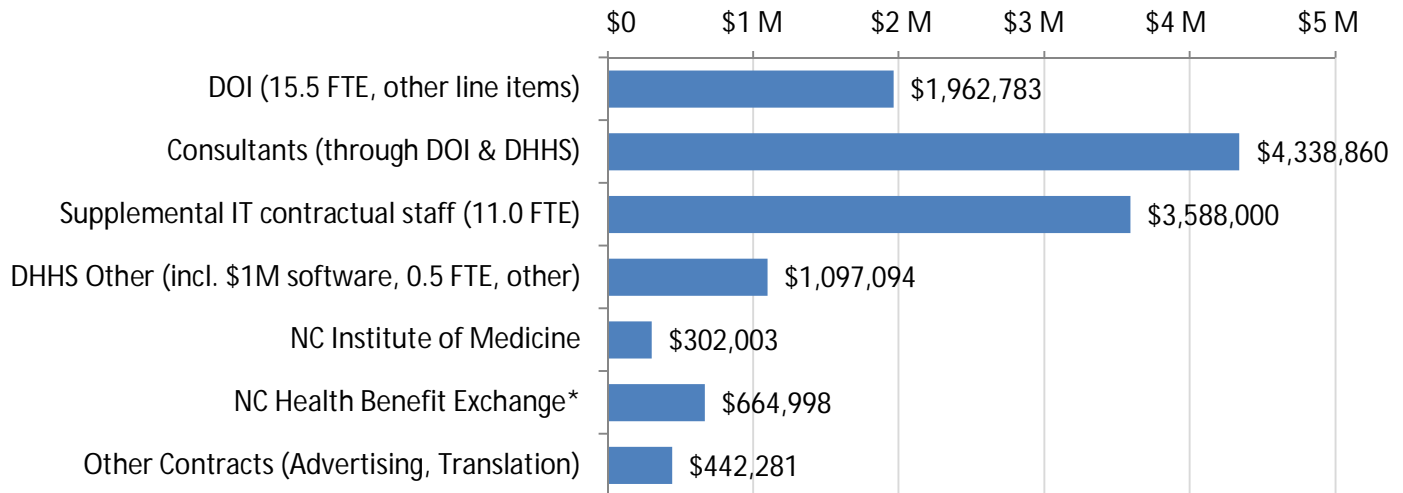
**Jan. 1, 2015:** Date by which federal law requires that North Carolina's Exchange no longer be dependent on federal grant funds for operation.

## Summary of Proposed Budget in DOI Grant Application

### A. Breakdown by Entity

Entity	Budget
NC Department of Insurance (includes contracts/consultants)	\$7,603,483
NC Department of Health & Human Services (includes contracts/consultants)	\$3,393,254
NC Health Benefit Exchange (partial year operation; includes consultants)	\$664,998
NC Agency for Public Telecommunications	\$432,281
NC Institute of Medicine	\$302,003
<b>TOTAL</b>	<b>\$12,396,019</b>

### B. Breakdown by Major Expenditure Categories



*\*partial year - estimates 2.5 months operation; includes 7 FTE, consultants, other*

### C. Breakdown by DOI "Core Area"

Core Area	Proposed Budget
Background Research	\$510,366
Stakeholder Consultation	\$1,511,628
Legislative & Regulatory Action	\$11,939
Governance	\$199,499
Program Integration	\$781,559
Exchange IT Systems	\$3,274,942
Financial Management	\$138,000
Oversight/Program Integrity	\$313,995
Health Insurance Market Reforms	\$485,382
DOI Business Operations	\$5,168,710
<b>TOTAL</b>	<b>\$12,396,019</b>